

AAFAF Hearing Exhibit 12



Puerto Rico

Pierluisi Acknowledges Senate Version of PoA Bill Needs Corrections but Calls on Oversight Board to Respect Commonwealth's No-Pension-Cut Stance; Deems Senate's Claims Regarding UPR, Municipal and Economic Development Funding 'Reasonable'

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During a press conference today, Gov. Pedro Pierluisi said that the PROMESA oversight board is being "inflexible" and "intransigent" for dismissing outright pending legislation needed to execute the commonwealth [plan of adjustment](#) because it is conditioned on zero pension cuts and future priority investments in spite of what the governor calls the commonwealth's brightening fiscal and economic future. Pierluisi acknowledged that the Senate version of the House Bill 1003, legislation authorizing the issuance of new general obligation bonds and contingent value instruments contemplated in the proposed commonwealth plan of adjustment, needs amendments and corrections to allow for its enactment, but he defended the bill's "reasonable claims" regarding increased funding for the University of Puerto Rico, island municipal governments and economic development initiatives.

Also during a radio interview today, oversight board member Antonio Medina said the "ball was dropped" on the legislation when the commonwealth Senate [approved](#) a heavily amended version of House Bill 1003. While the [House's version](#) of the bill conditioned the restructuring transactions on zero pension cuts, the Senate version added several other conditions, including increased funding for the UPR, island municipalities and economic development initiatives.

Medina said the 10 additional conditions the Senate placed in the bill will cost "billions" of dollars that Puerto Rico cannot afford. He said the bill specifies that "if the board does not include these 10 points in the fiscal plan ... the legislation ceases to be effective for the bond exchange. We definitely can't work with that type of language."

While Medina said the board continues to believe in limited cuts to pension benefits, he expressed confidence that an agreement with commonwealth leaders could be achieved to approve the required legislation to execute the plan of adjustment. "This is something we can work with. There are solutions," Medina added, noting that the board is already on record publicly supporting the use of additional federal funding to restore pension cuts called for in the plan. "In my opinion, the solution is in the restitution [of pension cuts]," he added.

However, the governor called proposals to restore pension cuts or to change the criteria for which pensioners would be protected from the cuts a "tremendous complication." Pierluisi spoke during a press conference [to announce](#) the first phase rollout of a new digital platform to deliver government services, which is expected to increase efficiency and cut costs. The governor also discussed the pending legislation related to the proposed plan of adjustment during a [television interview](#) and in a [column](#) published in the island newspaper *El Nuevo Día* today.

"In terms of pensions, there is really nothing to discuss. ... Both the House and Senate versions of House Bill 1003 agree that they will not authorize any issuance of restructured bonds if the plan of adjustment cuts pensions. We have said it 1,000 different ways. It's not even worth discussing. This is not going to change ... There will be no willingness to cut pensions in the legislative branch or by this public servant," Pierluisi added during the press conference.

The governor said the lack of political will is because pensioners have suffered reduced benefits in the past, which he called "sufficient" for the Title III court restructuring process. "We know the judge will make a decision at the end of the road, but it is legitimate that the Legislature makes its claims to the oversight board. Instead of the board remaining dug into positions it has taken in the past, it should approve the bill as soon as the Legislature completes its approval," Pierluisi added.

The governor acknowledged that he misspoke last week when he said the additional “claims” introduced into the Senate version were contained in the bill’s “explanatory statement of the law” and not in the body of the bill. He said the provisions wound up being added into a section of the law dealing with the commonwealth’s public policy. He defended three of the additional conditions related to UPR, municipal government and economic development funding as “reasonable requests” given that the additional Medicaid funding Puerto Rico will receive has not been factored into the commonwealth fiscal plan and that the U.S. Congressional Budget Office has revised its economic projections upward since the fiscal plan was certified.

During the television interview, which took place prior to the press conference, the governor said other sections of the bill would “need to be corrected” in order to enact the legislation without providing additional details. He said the Senate claims should be seen as petitions to the board after Puerto Rico’s debt is restructured, when the commonwealth’s liquidity situation is expected to be the best in years, according to the governor.

“The most important thing at the end of the day is to approve a mechanism to issue the restructured bonds,” Pierluisi said.

Medina said oversight board discussions with commonwealth officials have been on pause while Pierluisi, House Speaker Rafael “Tatito” Hernández and Senate President José Luis Dalmau traveled outside of Puerto Rico last week. Pierluisi returned today, and the legislative leaders are due back at the end of the week.

The governor said that he expects talks to take place on the pending legislation this week between the oversight board, his administration and other legislative leaders and advisors before the return of Hernández and Dalmau.

Legislative sources said that House Treasury and Budget Committee Chairman Jesús Santa, Senate Treasury, Federal Affairs and PROMESA Oversight Board Committee Chairman Juan Zaragoza and their staff are discussing the bill. They said there has been communication with the oversight board but noted that anticipated technical meetings between the parties are on hold pending a written submission from the oversight board detailing their concerns with the draft legislation as approved. The legislative sources cited an openness to sit down and talk with the oversight board and executive branch to seek language that all of the parties can accept.

Oversight board members are slated to discuss the issue on Wednesday, Oct. 13, according to two sources near the matter, but oversight board officials did not return a request to comment.

Following the Senate’s approval of the amended bill, Hernández [scrapped](#) a planned vote on the Senate version and said the House would consider the legislation during its Oct. 18 session.

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